



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 10/31/2000

GAIN Report #RP0060

Philippines

Oilseeds and Products

Coconut Industry Seeks Government Intervention

2000

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Report Highlights:

Depressed coconut oil prices resulting from improved copra production and a global oversupply of vegetable oils has led to a Philippine coconut industry request for support from the GOP. The local coconut industry is seeking price and production subsidies and the imposition of a tariff rate quota on vegetable oil imports.

Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

Manila [RP1], RP

Sharply increased copra production since 2000 combined with abundant international supplies of vegetable oils have forced down coconut oil prices. Prices reportedly slid from \$695 per MT in August 1999 to below \$350 per MT in August 2000. As a result, coconut oil mills have gradually reduced buying prices of copra since the start of the year. According to the United Coconut Associations of the Philippines (UCAP), in January, the mill purchase price for copra hovered between P14 and P15 per kilo; P11 and P13 in February; P11 and P12 in March and April; P9 and P11 in May; P9 and P10 in June; P7 and P8 in July and August; and P5 per kilo in September. Farm gate prices of copra also plunged to a low P2 per kilogram in October - the lowest in 15 years. This drop in prices is expected to have a major impact on farmers income and consequently on their purchasing power and a corresponding effect on local economies. There are roughly 2.5 million coconut farmers and farm workers and around 20 million indirect beneficiaries of the industry. The Philippine Coconut Authority is forecasting copra production to reach 2.2 million tons in copra terms this year and 2.4 million tons in 2001. Thus each additional Peso paid for copra pumps an additional Pesos 2.2 billion into the rural community. Without an improvement in farm gate prices farmers will stop harvesting resulting in lower than expected production.

Responding, the coconut industry has requested the GOP to intervene and implement radical measures to save the sector from collapse. An industry paper reportedly is now under study by the Cabinet-level Economic Mobilization Group (EMG) that would require the state-owned National Food Authority (NFA) to expand its trading operations to include copra providing it with a support buying price of P9 per kilo (\$0.19 at P47/\$). The NFA would sell the copra to accredited oil millers who will get tax rebates on the price difference between the governments buying price and the market price. Such tax credits may be used for future NFA purchases. Combined with the subsidy, the industry also proposes the imposition of import restrictions through the establishment of a tariff rate quota or Minimum Access Volume (MAV) for all vegetable oils and fats including coconut oil.

Agriculture Secretary Edgardo Angara reportedly said the Department of Agriculture might tap the P1.2 billion revenues earned from tariffs on sensitive agricultural imports deposited in the Competitiveness Enhancement Fund (CEF). Angara reportedly also is considering tapping the P50-billion coconut levy fund to boost the industry but admitted this may take longer because of unresolved issues.

The coconut sector faces stiff competition from other vegetable oils, particularly palm oil, which has penetrated the local market and has also displaced some coconut oil export to traditional markets.